



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN No. 1926 (1941)

May 11, 1989

SUBJECT: Monitoring Volume of Insured  
Operating Loan (OL) Obligations

TO: State Directors and District Directors

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) is issued to provide guidance in monitoring insured OL volume and proper application of the credit elsewhere requirement set forth in Section 1941.6 of FmHA Instruction 1941-A. The intended outcome is to ensure that insured OL funds are not used when the applicant's credit needs can be met with a loan guarantee.

COMPARISON WITH PREVIOUS AN:

No previous AN has been issued on this subject.

IMPLEMENTATION RESPONSIBILITIES:

Report data indicates that in certain locations, insured OL obligations are very high relative to OL guarantee obligations. This relationship may indicate insufficient emphasis on the guaranteed OL loan program, and/or inadequate implementation of the credit elsewhere requirement. To ensure that insured OL funds are not being used unnecessarily, the following steps must be taken:

1. State Directors will review FmHA report 205-A, Status of Loan & Grant Obligations/Allotments or Distributions, on a weekly basis to identify County Offices with insured OL loan obligation levels which would indicate that sufficient efforts are not being made to move loan requests from insured OL funding to guaranteed OL funding.
2. District Directors will visit the County Offices identified. The purpose of the visit will be to review a sample of approved insured OL requests to determine whether the credit elsewhere requirements of Section 1941.6 of FmHA Instruction 1941-A have been met. The following case files will be reviewed:

EXPIRATION DATE: September 30, 1989

FILING INSTRUCTIONS:  
PRECEDING  
FmHA INSTRUCTION 1941-A

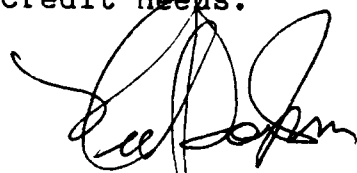


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Complaints of discrimination should be sent to:  
Secretary of Agriculture, Washington, D.C. 20250

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- a) All insured OL loans made in FY 1989 to indebted FmHA borrowers with a "borrower classification" code of 1 or 2.
  - b) All insured OL loans made in FY 1989 to new applicants who were not indebted to FmHA at the time of application.
  - c) A random sampling of at least 10 percent of the insured OL loans made in FY 1989, which are not covered under items a or b above.
3. The District Director will report the review findings and propose corrective action(s) in writing to the State Director. This corrective action may include additional training of County Office personnel, visits to lenders, a renewed "Operation Assist" type of effort by the affected office, and continued monitoring of OL application processing in the County Office in question.
  4. The State Director will approve the appropriate corrective action(s), determine the appropriate personnel to take the action (District Director, Farmer Programs Staff, etc.) and ensure that action is taken on a timely basis.
  5. The State Director will submit a management report to the National Office, attention Farmer Programs Loan Making Division, no later than September 30, 1989. This report will summarize the Districts' findings and corrective actions taken.

The importance of using guaranteed OL funds to the maximum extent possible cannot be overemphasized. The objective is to ensure that insured OL funds will be available for those borrowers and applicants who truly need insured loan assistance to meet their credit needs.



NEAL SOX JOHNSON  
Acting Administrator

Sent by ASD at 9:00 Am to States; 11:00Am to Districts;  
; 5/17/89 by time option telemail.  
State Directors will immediately distribute to Farmer Programs  
Chiefs and other appropriate personnel.